

## Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 EUR-12 EA-07 IO-11 ISO-00 AGR-05 CEA-01

CIAE-00 COME-00 DODE-00 FRB-03 H-02 INR-07 INT-05

L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15

STR-04 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 FEAE-00

OMB-01 STRE-00 AF-06 NEA-10 OIC-02 XMB-02 /136 W

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R 251155Z FEB 76

FM USMISSION GENEVA

TO SECSTATE WASHDC 8331

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRASILIA

AMEMBASSY BUENOS AIRES

AMEMBASSY LONDON

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

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PASS STR ELECTRICALLY

E.O. 11652: N/A

TAGS: GATT, ETRD

SUBJECT: GATT - GROUP OF 18 FIRST DAY

REF: GENEVA 1341

SUMMARY: FIRST DAY OF G-18 MEETING SPENT ALMOST ENTIRELY  
ON BALANCE OF PAYMENTS ISSUE, WITH U.S. PAPER AS BASIS  
FOR DISCUSSION. U.S. POSITIONS STRONGLY SUPPORTED BY  
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CANADA AND AUSTRALIA, GENERALLY SUPPORTED BY THE OTHER  
DEVELOPED COUNTRIES, WITH THE EC AND JAPAN BEING QUITE

PASSIVE. LDCS DID NOT ATTACK U.S. POSITION DIRECTLY, BUT DID STRONGLY CONTEND THAT IT DID NOT GO TO HEART OF THEIR PROBLEMS. AT END OF DAY DIRECTOR GENERAL LONG ASKED FOR SUBMISSION OF TWO PAPERS FOR NEXT G-18 MEETING, ONE BY AMBASSADOR MARTINEZ (ARGENTINA) EMBRACING LDC APPROACH TO THIS ISSUE, A SECOND BY AMBASSADOR YEUTTER ENUNCIATING U.S. POSITION, AS MODIFIED BY DISCUSSION HERE. LATTER IS TO BE PREPARED IN FORMAT OF RECOMMENDATIONS THAT COULD BE SENT BY G-18 TO GATT COUNCIL. END OF SUMMARY.

1. FIRST DAY OF G-18 MEETING BEGAN WITH DISCUSSION OF "RECENT DEVELOPMENTS IN TRADE POLICY AND INTERNATIONAL TRADE." AMBASSADOR YEUTTER COMMENTED ON RECENT USITC FINDINGS ON SPECIALTY STEEL AND NON-RUBBER FOOTWEAR, NOTED TIMETABLES FOR EXECUTIVE FOLLOW-UP, DESCRIBED GENERALLY WHY THESE CASES ESPECIALLY DIFFICULT AND SENSITIVE FOR U.S., POINTED OUT THAT NO DECISION HAD YET BEEN MADE BY ADMINISTRATION, AND EMPHASIZED THAT U.S. FIRMLY COMMITTED TO EXPANSION AND LIBERALIZATION OF INTERNATIONAL TRADE. THERE WERE NO FOLLOW-UP COMMENTS OR QUESTIONS FROM OTHER DELEGATES, AND ONLY OBLIQUE REFERENCES TO USITC CASES IN LATER DISCUSSION DURING THE DAY.

2. REMAINDER OF DAY DEVOTED ENTIRELY TO "TRADE MEASURES TAKEN FOR BALANCE OF PAYMENTS PURPOSES" WITH U.S. PAPER BEING, AS LONG PUT IT, "CENTERPIECE FOR DISCUSSION." LONG COMPLIMENTED U.S. IN PREPARATION OF PAPER, AND SUGGESTED THAT AT LEAST ONE PAPER BE USED AS BASIS FOR DISCUSSION AT EACH OF THE SUBSEQUENT G-18 MEETINGS. U.S. PAPER ALSO RECEIVED PRAISE FROM MANY OTHER DELEGATES, INCLUDING LDCS.

3. AMBASSADOR YEUTTER BEGAN DISCUSSION BY NOTING THAT THIS WAS MODEST ATTEMPT ON PART OF U.S. TO MAKE PROCEDURAL IMPROVEMENTS IN GATT PROCESS OF EVALUATING TRADE MEASURES TAKEN FOR BALANCE OF PAYMENTS PURPOSES. YEUTTER DREW DISTINCTION BETWEEN LIMITED OFFICIAL USE  
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PROCEDURE AND SUBSTANCE, AND BETWEEN SHORT-TERM AND LONG-TERM ISSUES IN THIS SUBJECT MATTER AREA. HE NOTED THAT U.S. ATTEMPT WAS TO CONCENTRATE NOW ON FORMER AS BEING MORE APPROPRIATE FOR G-18 GROUP AND MORE LIKELY TO YIELD CONCRETE ACHIEVEMENTS IN RELATIVELY SHORT PERIOD OF TIME. LATTER NOT TO BE IGNORED, AND MAY EVEN BE APPROPRIATE FOR G-18 ANALYSIS IN FUTURE, BUT NOT APPROPRIATE IN PRESENT TIME FRAME.

4. AMBASSADOR YEUTTER SUMMARIZED U.S. POSITION AS

HAVING SEVEN BASIS CPOINTS: 1) PROVISION FOR THE COMPREHENSIVE APPRAISAL, BY A GATT COMMITTEE, OF TRADE MEASURES TAKEN FOR BALANCE OF PAYMENTS PURPOSES; 2) A MORE ACTIVE ROLE FOR THE GATT SECRETARIAT IN PROVIDING DATA AND PREPARING STUDIES FOR THE USE OF SUCH COMMITTEES; 3) EMPHASIS ON THE NEED TO CONSIDER IN A SENSITIVE WAY DURING SUCH APPRAISALS THE PECULIAR NEEDS OF LDCS AND THE PARTICULAR RATIONALE OF THEIR BALANCE OF PAYMENTS ACTIONS; 4) ENUNCIATION OF THE NEED TO CONSIDER NOT ONLY THE ECONOMIC SITUATION OF THE COUNTRY TAKING BALANCE OF PAYMENTS MEASURES, BUT ALSO THE TRADE RESTRICTIVE ACTIONS OF OTHER COUNTRIES WHICH MAY HAVE PRECIPITATED, OR AT LEAST CONTRIBUTED SIGNIFICANTLY TO THE PRECIPITATION, OF THE BALANCE OF PAYMENTS MEASURES; 5) THE NECESSITY FOR REPORTING THE CONCLUSIONS OF THE GATT COMMITTEES, IN ORDER THAT THEY MAY SERVE AT LEAST AS ROUGH GUIDE-LINES FOR FUTURE ACTION; 6) THE IMPORTANCE OF FOLLOW-UP REVIEW BY THE GATT COMMITTEES ON ACTIONS TAKEN (OR NOT TAKEN) IN LIGHT OF THEIR ECOMMENDATIONS; AND 7) THE NEED FOR IMPROVED GATT-IMF COORDINATION IN ALL ASPECTS OF THIS PROCESS.

5. U.S. PRESENTATION SPARKED IMMEDIATE RESPONSE FROM LDCS. MARTINEZ (ARGENTINA) CRITICIZED PAPER AS NOT GOING TO THE SUBSTANCE OF LDC BALANCE OF PAYMENTS PROBLEMS, LEAVING MAJOR GAPS IN THE TOTAL PICTURE, AND BEING TOTALLY UNRESPONSIVE TO THE ECONOMIC NEEDS OF LDCS. IN A LONG, RAMBLING DISCOURSE HE CONCENTRATED PRIMARILY ON THE IMPORTANCE OF LONGER-TERM SOLUTIONS TO THIS ISSUE, MEANING PRESUMABLY THAT GATT ARTICLES LIMITED OFFICIAL USE  
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XII AND XVIII SHOULD BE REFORMED.

6. AMBASSADOR MACIEL (BRAZIL) FOLLOWED WITH COMMENTS THAT U.S. STATEMENT WAS FURTHER EVIDENCE OF THE PASSIVE CHARACTER OF GATT, WHICH POINTED OUT THE NEED FOR REFORM OF THE ENTIRE INTERNATIONAL TRADING SYSTEM. HE NOTED THAT BRAZIL HAD MADE SUCH PROPOSALS IN THE SEVENTH SPECIAL SESSION, AND THAT THEY NOW PROPOSED TO DO SO IN THE MTN AS WELL. HE OBJECTED TO PRESENT GATT BALANCE OF PAYMENTS COMMITTEE ACTIONS, STATING THAT THESE MADE LDCS APPEAR TO BE DEFENDANTS OR CULPRITS. MACIEL CRITICIZED PRESENT PROCESS FOR FAILING TO RECOGNIZE STRUCTURAL AND OTHER POINTS THAT DIFFERENTIATE LDC DEVELOPMENT PROCESS FROM ECONOMIES OF DCS AND MAKE BALANCE OF PAYMENT MEASURES BY LDCS JUSTIFIABLE. HE SAID THAT SUCH MEASURES WHEN TAKEN BY LDCS ARE "PROTECTIVE" WHEREAS THEY ARE "PROTECTIONIST" WHEN TAKEN BY DCS. HE CONSIDERS THE

FORMER PROPER, THE LATTER IMPROPER. MACIEL SAID HE SAW NO NEED TO CHANGE PROCEDURES OF BALANCE OF PAYMENTS COMMITTEE UNTIL CRITERIA UNDER WHICH COMMITTEE IS TO FUNCTION ARE RE-EXAMINED. HE SAID FURTHER THAT PROPER PLACE TO WORK ON LONG-TERM SOLUTIONS, I.E., CRITERIA, IS MTN. IN OTHER WORDS, G-18 SHOULD DO NOTHING ON THIS SUBJECT.

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OMB-01 STRE-00 AF-06 NEA-10 OIC-02 XMB-02 /136 W

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R 251155Z FEB 76

FM USMISSION GENEVA  
TO SECSTATE WASHDC 8332  
INFO AMEMBASSY BERN  
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AMEMBASSY PARIS  
AMEMBASSY TOKYO  
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7. HAMZA (EGYPT) MADE STRONG PITCH FOR EXEMPTION OF LDCS FROM APPRAISAL PROCESS. IN ESSENCE, HE SAID

THAT ALTERING PROCEDURES FOR EVALUATION OF MEASURES TAKEN BY DCS WAS FINE, BUT THAT THIS WAS IRRELEVANT ISSUE AS FAR AS LDCS ARE CONCERNED.

8. MOTONO (JAPAN) SAID LITTLE, THIS BEING HIS FIRST MEETING OF G-18 AND A NEW POSITION FOR HIM IN JAPANESE GOVERNMENT. HE HAD EARLIER EXPRESSED CONCERN LIMITED OFFICIAL USE

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IN PRIVATE MEETING, THAT EXTENDING JURISDICTION OF BALANCE OF PAYMENTS COMMITTEE BEYOND QUANTITATIVE RESTRICTIONS (I.E., TO IMPORT DEPOSIT SCHEMES, IMPORT SURCHARGES, AND OTHER SUCH ACTIONS) MIGHT LEGITIMIZE SUCH ACTIONS. DURING THE MEETING HE THEREFORE SUGGESTED THAT IF BALANCE OF PAYMENTS ACTIONS OTHER THAN QRS WERE TO BE EVALUATED, THIS BE DONE BY AN AD HOC COMMITTEE OF THE GATT, RATHER THAN BY EXISTING BALANCE OF PAYMENTS COMMITTEE. (NOTE: THIS WAS REASON FOR REFERENCE TO "GATT COMMITTEES" IN AMBASSADOR YEUTTER'S OPENING STATEMENT, WHEREIN HE ADDED THAT THIS PARTICULAR ISSUE SHOULD BE DISCUSSED FURTHER AT A LATER TIME.)

9. GALLAGHER (EC) MADE STATEMENT THAT UNDER SYSTEM OF FLEXIBLE EXCHANGE RATES, TRADE MEASURES FOR BALANCE OF PAYMENTS PURPOSES ARE DIFFICULT TO DEFEND. HE THOUGHT IT MIGHT BE MORE APPROPRIATE TO DISCUSS THIS LONG-TERM QUESTION FIRST, AND DEFER ACTION ON THE SHORT-TERM ISSUES PRESENTED BY U.S. IN OTHER WORDS, IF GATT ARTICLES WERE TO PRECLUDE USE OF TRADE MEASURES FOR BALANCE OF PAYMENTS PURPOSES, THERE WOULD BE NO NEED FOR EVALUATIVE COMMITTEES. BUT IN INTERIM HE WOULD SUPPORT JAPANESE POSITION FOR ESTABLISHMENT OF AD HOC COMMITTEES. THIS PARTICULAR ISSUE RECEIVED NO FURTHER DISCUSSION DURING THE DAY.

10. IN AFTERNOON JOYCE (CANADA) AND TEESE (AUSTRALIA) MADE EXCELLENT STATEMENTS IN SUPPORT OF U.S. POSITION. TEESE SUGGESTED MINOR MODIFICATIONS, BUT IN HELPFUL WAY. UNEXPECTED HELP CAME FROM ADESOY(NIGERIA), BUT SIGNIFICANCE OF THIS DIMINISHED BY HIS SUBSEQUENT DISCUSSION OF IRRELEVANT ISSUES. VILLAR (SPAIN) AND ARIAS (PERU) MADE COMMENTS WITH USUAL LDC ORIENTATION, BUT IN HELPFUL AND AND SUPPORTATIVE MANNER. DUNKEL (SWITZERLAND) ALSO GENERALLY SUPPORTATIVE, AND MADE USEFUL COMMENTS ON GATT-IMF RELATIONSHIP, BUT DID NOT COME ON NEARLY AS STRONG AS HE MIGHT HAVE. AS FORMER CHAIRMAN OF BALANCE OF PAYMENTS COMMITTEE, HE SHOULD HAVE BEEN A MOST ARTICULATE AND FORCEFUL SPOKESMAN FOR U.S.

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POSITION. BUT HIS PERFORMANCE DID NOT COMPARE WITH THAT OF JOYCE AND TEESE.

11. AT END OF DAY YEUTTER MADE CLOSING STATEMENT NOTING THAT SUBJECT HAD PROVOKED EXCELLENT DISCUSSION ALL DAY LONG. (MARTINEZ HAD SAID EARLIER THAT IT WAS THE MOST CANDID AND FRANK, YET FRIENDLY, DISCUSSION HE HAD EVER HEARD IN AN INTERNATIONAL MEETING.) AT TIMES THE DISCUSSION HAD REACHED FAR BEYOND THE TOPIC INITIALLY PRESENTED-RANGING FROM STATEMENTS THAT TRADE MEASURES SHOULD NOT BE TAKEN FOR BALANCE OF PAYMENTS PURPOSES (EC) TO STATEMENTS THAT SOME COUNTRIES (LDCS) SHOULD BE ABLE TO APPLY SUCH MEASURES AT WILL (EGYPT). AFTER LISTENING TO ALL THE DISCUSSION, YEUTTER CONCLUDED THAT NOTHING HAD BEEN SAID THAT WAS INCONSISTENT WITH ORIGINAL POINTS HE MADE. HE THEN SUMMARIZED THE SEVEN POINTS ONCE AGAIN, POINTING OUT THAT THEY WERE NOT FULLY RESPONSIVE TO ALL ISSUES THAT HAD BEEN DISCUSSED, BUT WERE NOT INTENDED TO BE. THIS WAS MODEST ATTEMPT TO DEAL WITH SHORT-TERM PROBLEMS OF THE INTERNATIONAL TRADING WORLD, AND HE SENSED THAT G-18 WAS IN GENERAL AGREEMENT WITH U.S. PROPOSAL. AMBASSADOR YEUTTER THEN OFFERED TO PREPARE A PAPER FOR THE NEXT G-18 MEETING, CHANGING THE FORMAT FROM ONE ORIENTED TOWARD DISCUSSION THEREOF TO ONE FRAMED AS POTENTIAL RECOMMENDATIONS BY G-18 TO GATT COUNCIL. IN SUCH PAPER, U.S. WOULD ATTEMPT TO INCORPORATE SUGGESTIONS THAT HAD BEEN MADE DURING THE DAY, AND WOULD CIRCULATE NEW PAPER WELL AHEAD OF NEXT G-18 MEETING,

12. MARTINEZ THEN SAID HE WOULD LIKE TO CIRCULATE A PAPER TOO, BUT ONE APPROACHING THE PROBLEM FROM AN ENTIRELY DIFFERENT WAY-I.E., GETTING AT THE HEART OR SUBSTANCE OF THE ISSUE.

13. LONG SUMMED UP, STATING THAT HE WOULD PROVIDE FOR THE MEMBERS A BRIEF SUMMARY OF THE DAY'S DISCUSSION, AND ASKED THAT THE YEUTTER AND MARTINEZ PAPERS BE PREPARED FOR THE NEXT MEETING. IN PRIVATE DISCUSSION LATER, MARTINEZ INDICATED TO YEUTTER THAT

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HIS PAPER WOULD MAKE LDC POINT ABOUT NEED TO CON-

CENTRATE ON LONG-RANGE ISSUES, AND THAT WE (G18) COULD THEN TAKE ACTION ON THIS ISSUE. THIS HOPEFULLY IMPLIES THAT LDCS WILL ULTIMATELY ACCEDE TO BASIC POINTS OF U.S. POSITION. LONG TIMETABLE IS TO HAVE NEXT G-18 MEETING IN JUNE, FOLLOWED BY ANOTHER IN OCTOBER. HE WOULD HOPE THAT DOCUMENTS ON THIS AND OTHER ISSUES THAT ARE IN FINAL FORM COULD THEN BE PRESENTED TO GATT COUNCIL IN NOVEMBER. BRUNGART

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## Message Attributes

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